



2111 Wilson Boulevard, Suite 400  
Arlington, Virginia 22201-3061  
Tel: (703) 522-1820 • Fax: (703) 522-1885  
Web page: <http://www.ndia.org>

*The Voice of the Industrial Base*

April 20, 2005

Ms. Marcia Madsen  
Chair  
Acquisition Advisory Panel  
C/O General Services Administration  
1800 F Street NW Room 4006  
Washington, DC 20405

Dear Madam Chair:

The National Defense Industrial Association (NDIA) is pleased to have this opportunity to submit comments to the Acquisition Advisory Panel (AAP). NDIA has consistently supported federal government acquisition reform efforts and looks forward to assisting the AAP in your legislatively mandated efforts.

NDIA is a non-profit 501 (C) (3) educational association representing over 1190 defense industry corporations and has approximately 37,000 individual members. Our mission is to be the advocate for cutting-edge technology and superior weapons, equipment, training, and support for the War-Fighter and First Responder; promote a vigorous, responsive, government-industry team, and to provide a forum for the exchange of information between industry and government on National Security issues.

On behalf of NDIA, I am writing to you concerning a proposed Department of the Navy acquisition policy that several members of our association believe will cause harm to the defense industry, hinder competition, **reduce the Navy's access to technology enhancements**, and will ultimately cost more than currently in place acquisition programs. I am referring to a program called SeaPort-E that the Navy is mandating to be used by all of the Navy's major commands for all engineering, financial, and program management contractor support services. NDIA, through its Procurement Division, has done an extensive review of the SeaPort-E program and provides the following observations.

**8% fee limitation:** One of NDIA's major concerns is that the SeaPort-E solicitation limits the fee to 8%. This arbitrary limitation on profit or fee is contrary to the Government's profit policy as prescribed in the FAR (15.404(a)(3)). We believe that the imposed fee ceiling of 8% on cost contracts sets up a process to reward mediocrity, i.e., contractors will retain their most skilled resources for other higher percentage opportunities. The DFARS require weighted guidelines and imposes a 15% limit on profits.

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**Guaranteed Savings Clause:** Requires contractor to "agree" to a guaranteed savings over the life of the contract, minimum of 1% per year. Such guarantees are in conflict with negotiated rate agreements.

**Cascading Small Business:** Small Business set aside made **after** proposals are received by the Navy. Contractors will not **be** willing to expend bid costs if there is a possibility that the proposal could be set aside for small business after submission. **This is a totally new concept which we believe violates current procurement law.**

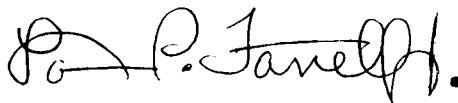
**Competition:** Under this new program, there is a significant concern that given the depth and breadth of this indefinite delivery/indefinite quantity (ID/IQ) vehicle and its apparent mandatory use, the Navy is essentially limiting work to a select number of contractors for periods of up to 15 years. **We are told that 151 contracts have been issued by NAVSEA under the current program. The Navy is proposing to expand SeaPort-E to all Systems Commands. Previously, in excess of one thousand companies could respond with their offerings. Is the Navy denying itself access to technology available via these many additional offerors?**

**Other Concerns:** SeaPort-E appears to be replicating what GSA already has in place. As you know, GSA charges a 3% service charge for using its schedule. What will the Navy have to pay to administer this new, nation-wide program of 150 to 200 individual contracts? The Navy will say that this has already been a successful program for the past four years; however, the program thus far as been limited only to NAVSEA. The Navy is proposing the expansion of SeaPort-E to NAVAIR, NAVSUP, SPAWAR, as well as NAVSEA, and sets up a nation-wide series of zones where offers can only be made from companies who have a presence in a particular zone.

Madam Chair, as you can see from the above, there are multiple reasons why we have serious concerns with the expansion of SeaPort-E. We are asking that the AAP review this new concept in acquisition policy that we believe is not in the best interest of the Department of Defense, the defense industry, or the taxpayers. If you, or any of the other AAP members have any questions on this issue, or if in your review you believe it would be useful for a NDIA representative to appear before the AAP, NDIA stands ready in any capacity to assist you and the AAP in your review.

Thank you for your consideration on this important issue.

Very Respectfully,



Lawrence P. Farrell, Jr.  
Lieutenant General, USAF (Ret)  
President and CEO